



September 15, 2006

HAND DELIVER and E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, Massachusetts 02110

Re: The Berkshire Gas Company Cost of Gas Adjustment Filing
D.T.E. 06-GAF-P2

Dear Secretary Cottrell:

Enclosed please find The Berkshire Gas Company's ("Berkshire" or the "Company") Seasonal Gas Adjustment Factor ("GAF") calculation (Form II) and Seasonal Reconciliation (Form III), as well as the Seasonal Local Distribution Adjustment Factor ("LDAF") calculation (Form II) and 2005-2006 Annual Reconciliation (Form III). Both factors are to be effective November 1, 2006 through April 30, 2007. Also, accompanying this letter is a Motion for Protective Treatment of Confidential Information that seeks protected treatment for certain attachments to this filing that provide gas price information with respect to contracts executed by the Company. A redacted copy is provided with this letter while non-redacted copies are provided to the Department staff. The Company will provide the confidential material to other parties such as the Attorney General upon the execution of an appropriate non-disclosure agreement.

The following highlights the information included in each calculation.

GAF Calculation and Reconciliation

The gas costs and volumes reflected in the GAF are based on the Company's budget, current market conditions and the most current pricing information available for each of the Company's supply sources. These items are detailed on schedules A and B of the GAF calculation. Please note that the Load Management Credit Factor component of the GAF has been reduced to \$0, since there are no longer any customers subscribing to this service.

The seasonal reconciliation, included as Attachment A, covers the period November 2005 through April 2006. The Company filed and received approval to decrease the GAF effective with the March 2006 billing cycle. As a result, the prorating of rates occurred and is displayed on several schedules of the reconciliation. In addition, in conformance with the directives of the Department's March 7, 2006 Procedural Notice, Berkshire has included invoices to support its 2005-2006 seasonal reconciliation.

The Berkshire Gas Company

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An Energy East Company

Based on all of the information, the GAF for low-load factor customers will be \$1.110 per therm and the GAF for high-load factor customers will be \$0.91 per therm.

LDAF Calculation

The costs and volumes included in the LDAF calculation similarly reflect the most up-to-date information available. The LDAF for residential customers includes certain base LDAF items as well as costs associated with residential conservation programs. Form III details the Annual Reconciliations for the LDAF components for the period July 1, 2005 through June 30, 2006.

Both the residential and C & I conservation charges as shown in section A and B of the LDAF filing are comprised of several elements, namely estimated program costs, lost margins and reconciliation adjustments. Over the past year, the Company has experienced an unprecedented demand for its energy efficiency programs, particularly in the residential sector. The estimated program costs shown on line 5 for residential and line 22 for C & I were approved by the Department in DTE 04-38. These program costs amount to \$505,450 and \$242,429, respectively.

Next, with respect to lost margins, the Company proposed and received approval to amend the reconciliation period from a calendar year basis to a fiscal year basis beginning with the 2004 Winter LDAF filing. Also, the Company continues to utilize a rolling period methodology for its lost margin recovery in conformance with the directives of D.T.E. 97-112.

Additionally, the Company has included its Residential Assistance Adjustment Factor filing for the 2006-2007 period. The filing includes the projected revenue shortfall resulting from increased enrollment on low-income discount rates, projected costs including forgiveness credits, as well as the annual RAAF reconciliation covering the period July 1, 2005 through June 30, 2006. Currently, there are several hundred customers enrolled in the Company's Residential Arrearage Management Program.

Based upon the information provided, the LDAF for residential customers will be \$.065 per therm and the LDAF for C & I customers will be \$.036 per therm. The LDAF factors displayed on both residential and commercial customers' bills will include the Company's approved RAAF of \$.0046 per therm.

Bill impacts that include all bill components including new distribution charges effective September 1, 2006, as well as these proposed GAF and LDAF factors are provided as Attachment B. The impact for a typical residential heating customer is a decrease of \$11.12 per month.

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Finally, pursuant to the directives in D.T.E. 04-1 (2005), the following table provides the 2005-2006 Winter cashout variance for Berkshire's non-daily metered customers:

Actual Adjusted Target Volumes	Actual Customer Usage	Variance	
		Dth	%
154,354	150,915	3,439	2.2%

As the seasonal variance percentage demonstrates, Berkshire strives to provide accurate Adjusted Target Volumes to its marketers. The Company consistently monitors the monthly variances of each marketer's pool, and makes adjustments when necessary to its forecasting data.

Please distribute copies of this filing to those individuals at the Department requiring a review of this filing and advise Berkshire as soon as possible with comments or notations to this filing. While the Company believes that no waivers of the Department's regulations are required to make this filing effective as proposed, the Company respectfully requests that the Department grant such waivers as it may deem necessary for the acceptance of this filing to be effective November 1, 2006.

Sincerely,


Jennifer Boucher
Manager – Regulatory Economics */jmc*

Enclosures

cc: George Yankos, Director, Gas Division (w/3 enc via hand delivery)
Carol Pieper, Esq., Hearing Officer (w/2 enc via hand delivery)
Joseph Rogers, Division Chief, Assistant Attorney General (w/2 redacted enc via hand delivery)
Robert Sydney, Esq., General Counsel (w2 redacted enc via hand delivery)
Karen L. Zink, President, COO and Treasurer
James M. Avery, Esq. (w/enc)

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